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SUBJECT: AMBASSADOR'S ECONOMIC AND POLITICAL ENGAGEMENT IN VIETNAM'S CENTRAL COAST

REF: A: HCMC 586; B: HCMC 623

11. (SBU) Summary: During a mid-August visit to Vietnam's central coastal provinces of Thua Thien Hue, Quang Nam and Danang, the Ambassador told provincial leaders that continued reform and privatization were essential for strong economic growth. The Ambassador also focused on MIA issues and local implementation of Vietnam's new legal framework on religion. Responding to local government and media questions on Agent Orange, the Ambassador emphasized the need to avoid polemics and propaganda and focus on concrete scientific research. While all provinces said they are committed to economic reform, Hue clearly lags behind Quang Nam and Danang. End Summary.

12. (SBU) The Ambassador traveled to the provinces of Thua Thien Hue, Quang Nam and Danang August 11-13 to explore economic, social and religious freedom issues in Vietnam's central coastal region. He gave press interviews in Quang Nam and Hue and participated in a Danang repatriation ceremony for the recovered remains of five MIAs. The Ambassador's meeting in Hue with Thich Thien Hanh, a senior monk of the Unified Buddhist Church of Vietnam, is reported septel.

#### Quang Nam Province's Social and Economic Development

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13. (SBU) The Ambassador called on Quang Nam Province People's Committee Chairman Nguyen Xuan Phuc on August 12. Turning first to economic development, the Ambassador noted that a USAID-funded study, the Vietnam Provincial Competitiveness Index, rated Quang Nam's provincial government highly, a testament to the province's pro-business and pro-development ethic. In this regard, the Ambassador told Phuc that he was going to tour a 100 percent foreign-owned, USD 30 million tourist resort under development in Quang Nam. While Quang Nam's progress has been good, the Ambassador cautioned that it must not rest on its laurels. The province must continue to promote the private sector and to accelerate the privatization of state-owned-enterprises (SOEs) in Quang Nam. The Ambassador observed that the SOEs have a plethora of negative effects on the economy. For example, not only do SOEs borrow at concessional rates, they crowd out the private sector and use capital inefficiently. The Ambassador also noted that the province must continue to develop its road infrastructure, which is becoming a serious bottleneck to rapid economic growth.

14. (SBU) Chairman Phuc said that Quang Nam's strategy is to develop its tourism and industrial sectors simultaneously. The province boasts good airport and seaport access, two UNESCO World Heritage sites (Hoi An and My Son), and miles of beaches. Quang Nam also has the Chu Lai Economic Zone, which the GVN plans to develop as part of a new industrial hub for central Vietnam. (Note: the GVN plans to build its first oil refinery in Dung Quat, immediately to the south of Chu Lai, in neighboring Quang Ngai province. End Note.) In recent years, Quang Nam has had economic growth of 11-12% annually, among the highest rates in Vietnam. Phuc noted that the province also has attracted 50 foreign direct investment projects.

15. (SBU) The Ambassador said that while Quang Nam has made good progress recently, it still has a lower GDP and a higher percentage of the population below the poverty line than the national average. A disproportionate number of these persons are ethnic minorities living in more remote, rural areas. The Chairman acknowledged that as a whole, ethnic minorities are poor, but contended that conditions have improved in recent years.

16. (SBU) The Chairman asked the Ambassador for his assistance in promoting investment from the Vietnamese community in the United States. The Ambassador pledged his good offices in this effort. He told Phuc that in his interactions with the Vietnamese community in the United States, the older generation still harbors animosity from the war, but the youth are more open to returning and working to develop the country.

17. (SBU) Phuc stated that the local government respects religious freedom. He said that 12 percent of the people in Quang Nam have declared that they follow a recognized religion. He added that there are 60 churches and places of worship in the province. The Ambassador replied that he had not seen evidence of serious religious freedom problems in Quang Nam and encouraged the provincial chairman to continue to implement positively and consistently the new legal framework on religion.

#### HIV/AIDS in Quang Nam

18. (SBU) The Ambassador briefed the Chairman on the U.S. commitment to assist Vietnam in its war against HIV/AIDS. The chairman thanked the Ambassador for the USG partnership on this matter and emphasized that, while AIDS in Quang Nam is low compared to other provinces, it is a concern nonetheless. Phuc stated that the province is opening drug rehabilitation centers and vigorously enforcing the central government's strong penalties for drug traffickers. The Ambassador agreed that drug trafficking must be prosecuted, but added that users should be treated as victims, not criminals. The government focus needs to be on prevention, care and treatment. The Ambassador also stated that Vietnam must do more to remove the stigma of HIV, which even extends to children of HIV-positive parents.

#### Thua Thien Hue

19. (SBU) During a visit to Thua Thien Hue Province on August 13, the Ambassador met with Nguyen Xuan Ly, provincial People's Committee Chairman. Chairman Ly said that the province has the attributes to become Vietnam's premier tourism and services-sector magnet: a low-cost, well educated workforce; a comprehensive university system; beaches, mountains and national parks; and some of Vietnam's most impressive cultural and historical heritage sites. He emphasized that the province boasts the deepest natural harbor in Vietnam and has plans to expand it to accommodate 80,000-ton ships. He spoke of the cooperative relationship Hue has established with the state of Hawaii and expressed hoped that a similar partnership could be formed between Hue University and a U.S. university.

10. (SBU) The Chairman acknowledged that the Provincial Competitiveness Index ranked Thua Thien Hue well below neighboring Danang and Quang Nam Provinces. He asserted that he and other provincial authorities recognize the need to privatize state-owned enterprises. He claimed that there are now four private banks in the province and that the Huong Giang Hotel is the only remaining state-owned hotel in Hue.

11. (SBU) Chairman Ly told the Ambassador that Hue's family-oriented conservative culture and effective local government operation have kept the drug and HIV/AIDS problems in Thua Thien Hue to a minimum. Turning to human rights and religious freedom, Ly asserted that the situation, not only in his province, but also throughout Vietnam, is "perfect." Under Vietnam's legal framework on religion, the province has guaranteed the people the right of religious freedom. Thua Thien Hue has religious schools, and has created favorable conditions for all religious activities. For example, two religious festivities were underway in Hue city, and the province recently had helped Phu Cam Church to build two new stone pillars that had been destroyed before 1975. The Ambassador said that if the religious situation is this good, then the province could become a model for other provinces. Unfortunately, there still are black marks in the picture of Vietnam's religion. For example, there are bans on the churches of ethnic people in the Central Highlands, as well as incidents involving the Hoa Hao in the provinces of the Mekong Delta.

#### MIA Issues

12. (SBU) In his meetings with both provincial leaders, the Ambassador emphasized that the USG values highly Vietnam's cooperation on recovering the remains of American MIAs. This was the first issue President Bush raised with Vietnam's Prime Minister during their recent meeting in Washington. The Ambassador said that, unfortunately, the recovery teams have been limited in the amount of time they are allotted to conduct searches. The USG would like to expand the search times, and asked for the provinces' support in that process. The Quang Nam Chairman pledged assistance for the next round of recovery missions, scheduled for early 2006. On August 13, the Ambassador attended a repatriation ceremony in Danang at which five sets of remains and personal effects believed to be those of missing U.S. servicemen were returned with full military honors to the United States. (The remains were sent to

Honolulu where further tests will be conducted.)

Agent Orange

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113. (SBU) Local government officials and journalists raised their concerns over Agent Orange. The Ambassador reiterated that while the USG has a heartfelt concern for all handicapped persons -- the U.S. has provided USD 35 million to Vietnam since 1991 to assist persons with disabilities -- more cooperative scientific research on the effects of Agent Orange must be done. In this regard, he noted, it was positive that the two countries were able to work together to sponsor a workshop on cleanup techniques for dioxins and chemicals associated with Agent Orange in Hanoi from August 16-18.

#### Social and Development Projects

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114. (U) On August 12, the Ambassador visited a vocational training center for street children in Danang, funded by the DeMatteis Foundation, a U.S. NGO. The center offers training in sewing, embroidery, computer use and machine-repair for street children and disadvantaged children in the Danang area. (Note: The Ambassador's Fund has provided a grant of USD 16,000 to the center. End Note.) The center has graduated more than 1,000 young people since 2001, and 80 percent now have jobs, according to center officials.

115. (SBU) Comment: The Ambassador's visit highlighted why Quang Nam -- and to a lesser extent Danang -- have been able to promote economic growth, while Hue lags behind. All the provinces talk a good game, but Quang Nam practices what it preaches; not so Hue. A case in point is the Hue provincial chairman's claims that almost all hotels are no longer state owned. While he may wish it to be so, all major hotels in the province are either state-run or co-owned by the state or the province, including the flagship hotel in which the Ambassador's delegation stayed. Similarly, Hue's claims that the religious freedom environment is "perfect" is belied by Hue's restrictions on the activities of Protestant house churches, Catholic activists Father Nguyen Van Ly and the United Buddhist Church of Vietnam (reftels).

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